



# *Policy Update*

July 1, 2003

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*Policy Update* is a bimonthly publication that highlights the latest research, analysis, and statistics from the Social Security Administration's Office of Policy. It includes summaries of all recent products, lists articles by staff that have appeared in professional journals, and highlights work done by outside researchers funded through a cooperative agreement with SSA. Information about the availability of the publications is given in each section.

## **Publications**

Recent research, analysis, and statistical compilations by the Office of Policy are available at [www.socialsecurity.gov/policy](http://www.socialsecurity.gov/policy). For information about the availability of printed copies, e-mail [op.publications@ssa.gov](mailto:op.publications@ssa.gov), call 202-358-6274, or fax 202-358-6192.

## **Economics of Social Security**

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### ***Historical Redistribution Under the Social Security Old-Age and Survivors Insurance Program***

Dean R. Leimer

*ORES Working Paper No. 101* (released April 2003)

This study uses Social Security administrative data on past earnings and benefits by year, age, sex, and race to analyze historical redistribution under the Old-Age and Survivors Insurance program across and within cohorts born through the year 1922. The results generally support the findings of closely related previous research, confirming that early cohorts have received large accumulated net transfers to date, that females, as a group, have experienced substantially higher accumulated benefit/tax ratios and internal rates of return than their male counterparts in these cohorts, and that the "Other Races" group fared better by these measures than the "White" race group in most of the cohorts considered. Differences by race in the accumulated benefit/tax ratios estimated in this analysis are sensitive to the choice of the interest rate series and cohort grouping, however, and differ sharply between males and females under some of the interest rate assumptions.

Online (forthcoming)

HTML: [www.socialsecurity.gov/policy/docs/workingpapers/wp101.html](http://www.socialsecurity.gov/policy/docs/workingpapers/wp101.html)

PDF: [www.socialsecurity.gov/policy/docs/workingpapers/wp101.pdf](http://www.socialsecurity.gov/policy/docs/workingpapers/wp101.pdf)

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## International Programs

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### ***Social Security Programs Throughout the World: Asia and the Pacific, 2002***

(released March 2003)

This report, which is part of a four-volume series, presents cross-national comparisons of social security systems in 50 countries in Asia and the Pacific. It summarizes the five main social insurance programs in those countries: old-age, disability, and survivors; sickness and maternity; work injury; unemployment; and family allowances. The other volumes in the series focus on the social security systems of countries in Europe (released in September 2002), Africa (due September 2003), and the Americas (due March 2004). Together, the reports provide important information for researchers and policymakers who are reviewing different ways of approaching social security challenges and adapting the systems to the evolving needs of individuals, households, and families. These efforts are particularly important as each nation faces major demographic changes, especially the aging of the population, as well as economic and fiscal issues.

Online: [www.socialsecurity.gov/policy/docs/progdesc/ssptw/2002/asia/index.html](http://www.socialsecurity.gov/policy/docs/progdesc/ssptw/2002/asia/index.html)

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## Reform of Social Security

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### ***Recent Changes to the Chilean System of Individual Accounts***

Barbara E. Kritzer

from *Social Security Bulletin*, Vol. 64 No. 4 (released June 2003)

Chile was the first country to replace its public pay-as-you-go system with individual accounts. Since its inception in 1981, the new program has undergone a number of changes that offer workers more choices than they had before. Recent modifications include an increase in the type and number of funds from which a worker may choose for an individual account, more incentives for making additional voluntary contributions, and the introduction of a separate mandatory individual account for unemployment benefits.

Online

HTML: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p66.html](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p66.html)

PDF: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p66.pdf](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p66.pdf)

### ***Social Security Reform in Central and Eastern Europe: Variations on a Latin American Theme***

Barbara E. Kritzer

from *Social Security Bulletin*, Vol. 64 No. 4 (released June 2003)

The Latin American model of social security reform with individual accounts has been adopted by a number of Central and Eastern European countries. That alternative to a pay-as-you-go system is sometimes advocated as a desirable model for solving problems in developed systems such as that of the United States. This article describes the Central and Eastern European systems and compares them with the Latin American systems.

Online

HTML: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p16.html](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p16.html)

PDF: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p16.pdf](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p16.pdf)

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### ***Stochastic Models of the Social Security Trust Funds***

Clark Burdick and Joyce Manchester

*Research and Statistics Note No. 2003-01* (released March 2003)

The 2003 Trustees Report on the Old-Age and Survivors and Disability Insurance program contains, for the first time, results from a stochastic model of the combined trust funds of the Social Security programs. To help interpret the new stochastic results and place them in context, the Social Security Administration arranged for three external modeling groups to produce alternative stochastic results. This article demonstrates that the stochastic models deliver broadly consistent results even though they use significantly different approaches and assumptions. However, the results also demonstrate that the variation in trust fund outcomes differs as the approach and assumptions are varied.

Online

HTML: [www.socialsecurity.gov/policy/docs/rsnotes/rsn2003-01.html](http://www.socialsecurity.gov/policy/docs/rsnotes/rsn2003-01.html)

PDF: [www.socialsecurity.gov/policy/docs/rsnotes/rsn2003-01.pdf](http://www.socialsecurity.gov/policy/docs/rsnotes/rsn2003-01.pdf)

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## **Retirement**

### ***Does Retirement Education Teach People to Save Pension Distributions?***

Leslie A. Muller

from *Social Security Bulletin*, Vol. 64 No. 4 (released June 2003)

Education about retirement affects how employees use distributions from their defined contribution pension plans. Retirement education substantially increases the probability that participants age 40 and under will save a distribution but decreases the probability that college graduates and women will save one. These important differentials are concealed by estimates of the effect of retirement education on participants generally.

Online

HTML: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p48.html](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p48.html)

PDF: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p48.pdf](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p48.pdf)

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## **Socioeconomic Characteristics**

### ***Income of the Aged Chartbook, 2001***

(released May 2003)

Since its inception, the Social Security program has provided a foundation of income for most retirees. This chartbook highlights selected data about the benefits the program provides and the people who receive them. The charts and tables focus on the receipt and shares of income from Social Security, pensions, assets, earnings, and public assistance, effectively illustrating the Social Security program's pivotal role in the economic security of the aged.

Online: [www.socialsecurity.gov/policy/docs/chartbooks/inc\\_aged/2001/index.html](http://www.socialsecurity.gov/policy/docs/chartbooks/inc_aged/2001/index.html)

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### ***Racial and Ethnic Differences in Wealth and Asset Choices***

Sharmila Choudhury

from *Social Security Bulletin*, Vol. 64 No. 4 (released June 2003)

Analysis of the wealth held by white, black, and Hispanic households points to differences in saving behavior, notably a disinclination on the part of minority households to invest in riskier, higher-yielding financial assets. This finding may account for some of the great disparities in wealth across racial and ethnic groups that cannot be explained by income and demographic factors.

Online

HTML: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p1.html](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p1.html)

PDF: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p1.pdf](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p1.pdf)

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## **Other**

### ***Results of the Office of Policy's 2001 User Satisfaction Survey***

Hilary Waldron

from *Social Security Bulletin*, Vol. 64 No. 4 (released June 2003)

Results of a 2001 Gallup poll indicate that the majority of users of the Social Security Administration's (SSA's) research, statistical, and policy products are satisfied with them and with the agency's performance in identifying and working on new and emerging areas of research and policy. Satisfaction varies with professional interests, length of time working with Social Security and Supplemental Security Income issues, work affiliation, and frequency of use of SSA's products.

Online

HTML: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p33.html](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p33.html)

PDF: [www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p33.pdf](http://www.socialsecurity.gov/policy/docs/ssb/v64n4/v64n4p33.pdf)

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## **Journal Articles**

Summaries of journal articles and information on how obtain the full text of an article may be available on the journal's Web site. Links to the respective journals have been provided, where applicable. Journals may also be available through libraries. SSA does not have copies of these articles for distribution.

### ***The Impact of Minority Group Status on the Projected Retirement Income of Divorced Women***

Barbara A. Butrica and Howard M. Iams

*Journal of Women and Aging* (forthcoming, Spring 2003)

### ***Investment Choice in Defined Contribution Plans: The Effects of Retirement Education on Asset Allocation***

Leslie Muller

*Benefits Quarterly* 19(2): 76–94 (2003)

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## Papers from the Retirement Research Consortium

The Retirement Research Consortium comprises two multidisciplinary centers housed in two universities—Boston College and the University of Michigan—and funded through a cooperative agreement with the Social Security Administration. These centers provide research and policy analysis to inform decisionmakers about issues critical to Social Security's retirement program.

### Boston College

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The following papers are available on the Center for Retirement Research Web site ([www.bc.edu/crr](http://www.bc.edu/crr)) and can be requested by e-mail from [crr@bc.edu](mailto:crr@bc.edu).

***The Evolution of Social Security Disabled Widow(er)s Benefits***

Eric Kingson

*BCCRR Working Paper* (April 2003)

Availability: by e-mail only

***Fiscal Effects of Social Security Reform in the United States***

Courtney Coile and Jonathan Gruber

*BCCRR Working Paper 2003-05* (March 2003)

***Health Shocks and Couples' Labor Supply Decisions***

Jonathan Gruber and Courtney Coile

*BCCRR Working Paper 2003-08* (April 2003)

***Pension Accounting and Personal Saving***

Annamaria Lusardi, Jonathan Skinner, and Steven Venti

*Just the Facts* 8 (April 2003)

***A Primer on IRAs***

Alicia H. Munnell

*Just the Facts* 7 (March 2003)

### University of Michigan

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Summaries of the following papers are available on the Retirement Research Center Web site ([www.mrrc.isr.umich.edu/content.cfm?section=research&content=index](http://www.mrrc.isr.umich.edu/content.cfm?section=research&content=index)). The papers can be requested by e-mail from [mrrc@isr.umich.edu](mailto:mrrc@isr.umich.edu).

***Disability Benefits as Social Insurance: Tradeoffs Between Screening Stringency and Benefit Generosity in Optimal Program Design***

John Bound and Timothy Waidman

*Working Paper UM00-13* (April 2003)

***The Ongoing Reform Process of the German Public Pension System***

Axel Börsch-Supan and Agar Brugiavini

*Working Paper UM03-01* (April 2003)

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***Retirement Effects of Proposals by the President's Commission to Strengthen Social Security***

Alan Gustman and Thomas Steinmeier

*Working Paper UM02-02* (March 2003)

***Stochastic Forecast of the Social Security Trust Fund***

Ronald D. Lee, Shripad Tuljapurkar, and Michael Anderson

*Working Paper UM03-Q1* (April 2003)

***Who Becomes a Stockholder? Expectations, Subjective Uncertainty and Asset Allocation***

Robert J. Willis and Gábor Kézdi

*Working Paper UM02-04* (April 2003)

***Widowhood, Divorce and Loss of Health Insurance Among Near Elderly Women: Evidence from the Health and Retirement Study***

Robert J. Willis and David Weir

*Working Paper UM00-09* (April 2003)